



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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"To Enrich Lives Through Effective And Caring Service"

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August 26, 2014

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF AZUSA
REQUEST FOR SUBORDINATION OF PASS-THROUGH PAYMENTS TO COUNTY TAXING
ENTITIES ON THE AMENDED AND RESTATED MERGED CENTRAL BUSINESS DISTRICT AND
WEST END REDEVELOPMENT PROJECTS
(FIRST DISTRICT) (3 VOTES)**

SUBJECT

This is a Joint Recommendation with the Fire Department and Department of Public Works to approve a Resolution to subordinate the County of Los Angeles', the Fire District's, and the Flood Control District's right to receive pass-through payments from the successor to the Redevelopment Agency of the City of Azusa (Successor Agency), to the Successor Agency's Series A refunding bond issue of 2014 (Series A Bonds) for the Amended and Restated Merged Central Business District and West End Redevelopment Project (Merged Project).

IT IS RECOMMENDED THAT THE BOARD:

1. Approve a Resolution subordinating the County of Los Angeles', Flood Control District's, and Fire District's right to receive pass through payments from the Successor Agency which would otherwise be received from the Merged Project to the Successor Agency's Series A Bonds.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Successor Agency is preparing to refinance its tax allocation bonds for the purpose of providing savings to the Successor Agency and the taxing entities, through issuance of the Series A Bonds. The subordinations are required by law on a timely Successor Agency request and showing that sufficient funds to pay both debt service and pass through payments to affected taxing agencies will be available when payments are due. The Successor Agency originally submitted its subordination

request to the County on May 22, 2014, and submitted a revised request on July 16, 2014.

Implementation of Strategic Plan Goals

This action supports Goal 1, Operational Effectiveness/Fiscal Sustainability, of the County Strategic Plan to strengthen the County's fiscal capacity.

FISCAL IMPACT/FINANCING

Health and Safety Code Section 34177.5(c) authorizes successor agencies to refund outstanding bonds to provide savings to the successor agency. The savings generated by refunding bonds may result in availability of additional funds to the taxing entities, including the County. The County may disapprove a request for subordination only if it finds, based on substantial evidence, that the Successor Agency will not be able to pay both the debt service payments and the pass-through payments to the Taxing Entities. Successor Agency tax increment projections, reviewed by Chief Executive Office staff, indicate that there will be sufficient coverage to satisfy the debt service payments and the required pass-through payments to the Taxing Entities.

In its July 16, 2014 letter, the Successor Agency also agreed to the following conditions:

1. All debt service reserves requested in future ROPS periods will be utilized for the appropriate debt service obligations;
2. No Insufficient Fund Notice and no request for subordination will be delivered by the Successor Agency as a result of reserve deposits required by indenture provisions to pre-fund annual debt service; and
3. The Reimbursement Agreement Obligation related to the City of Azusa's Certificate of Participation does not qualify for subordination of Statutory Pass-through Payments.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Section 34177.5 (c) provides: "If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive." Failure to act within 45 days after receipt of the Successor Agency's requests (in this case, August 31, 2014) constitutes County approval of the Successor Agency's request to subordinate to the bonds. County Counsel indicates that approving subordination by express resolution is preferable to failing to take action within 45 days.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Not Applicable

The Honorable Board of Supervisors

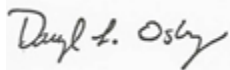
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Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer



DARYL L. OSBY
FIRE CHIEF, FORESTER & FIRE WARDEN

WTF:SHK
FC:RM:ib

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controlle



GAIL FARBER
Director

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES' RIGHT TO RECEIVE
PASS-THROUGH PAYMENTS TO THE SUCCESSOR AGENCY OF THE CITY OF AZUSA
AMENDED AND RESTATED MERGED CENTRAL BUSINESS DISTRICT AND WEST END
REDEVELOPMENT PROJECTS**

WHEREAS, Health & Safety Code Section 34177.5(a)(1) authorizes a successor to a former redevelopment agency dissolved by Assembly Bill No. 26 ("AB X1 26") to refund the bonds of the former redevelopment agency for the purpose of generating savings to the successor agency, and Section 34177.5(c) provides that prior to incurring any bonds, the successor agency may subordinate to the bonds the amount required to be paid to an affected taxing entity pursuant to Section 34183(a)(1), provided that the taxing entity approves the subordination; and

WHEREAS, the Successor Agency to the Redevelopment Agency of the City of Azusa (the "Successor Agency") on May 22, 2014 by letter advised its intention to refinance the Amended and Restated Merged Central Business District and West End Project ("Merged Project") Tax Allocation Bonds by issuance of the 2014 Series A Bonds (the "Series A Bonds") payable from and secured by a pledge of certain Merged Project tax increment revenues, and requested of the County of Los Angeles (the "County"), the Los Angeles County Consolidated Fire Protection District ("the Fire District") and the Los Angeles County Flood Control District ("the Flood Control District") that any and all payments which the County, the Fire District, and the Flood Control District are entitled to receive pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5") from the Merged Project be subordinated to the Successor Agency's payments of principal and interest on the Series A Bonds; and

WHEREAS, the Successor Agency on July 16, 2014 renewed its request for subordination by letter and advised its intention to refinance the Merged Project Tax Allocation Bonds, and agreed to the following subordination conditions:

1. all debt service reserves requested in future ROPS periods will be utilized for the appropriate debt service obligations;
2. no Insufficient Fund Notice and no request for subordination will be delivered by the Successor Agency as a result of reserve deposits required by indenture provisions to pre-fund annual debt service; and
3. the Reimbursement Agreement Obligation related to the City of Azusa's Certificate of Participation does not qualify for subordination of Statutory Pass-through Payments.

WHEREAS, the requested subordination does not lessen or eliminate the Successor Agency's obligation to make the required payments to the County, the Fire District, and the Flood Control District under Section 33607.5 and is intended to permit the Successor Agency to obtain a higher credit rating on its bonds and thus lower the Successor Agency's financing costs; and

WHEREAS, Section 34177.5(c) provides that at the time the successor agency requests an affected taxing entity to subordinate the amount to be paid to it, the successor agency must provide substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove

Subordinate the County's Right to Receive
Pass-Through Payments to the Successor Agency to
the Redevelopment Agency of the City of Azusa
Merged Project
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the request for subordination within 45 days after the receipt of a letter requesting subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the successor agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5; and

WHEREAS, the Successor Agency has presented evidence demonstrating its ability to make the required payments to the County, the Fire District, and the Flood Control District after payment of debt service on the Merged Project Series A Bonds.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Los Angeles that:

The County, the Fire District, and the Flood Control District hereby agree that so long as the Merged Project Series A Bonds remain outstanding, any and all payments which the County, the Fire District, and the Flood Control District are entitled to receive from the Adelante Eastside Project and Hollywood Project pursuant to Section 33607.5 shall be and shall remain subordinate to the payments pledged from the Merged Project to pay the principal of and interest on the Series A Bonds.

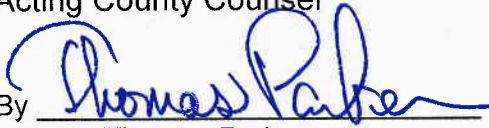
The foregoing resolution was on the ____ day of August 2014, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which the Board so acts.

SACHI A. HAMAI
Executive Officer Board of
Supervisors of the County of Los Angeles

By _____

APPROVED AS TO FORM

RICHARD D. WEISS
Acting County Counsel

By 
Thomas Parker
Deputy County Counsel